Hawaii
Department of Taxation

TAX YEAR 2013

Individual Income Tax

Hawaii Software Developers and Transmitters Handbook for Modernized e-File

Release date 10/10/2013 .v1

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Latest revisions of the Software Developers Handbook, draft and final forms, record layouts, schemas, and business rules will be at the DOTAX's Electronic Services website at:
http://www6.hawaii.gov/tax/b01_e-srvcs/b1_sdinfo.htm

SECTION 1: INTRODUCTION

The State of Hawaii, Department of Taxation (DOTAX), in conjunction with the Internal Revenue Service (IRS), accepts state Individual Income Tax returns and corresponding forms and schedules using the Modernized E-File (MeF) system. DOTAX supports "linked" and "unlinked" submissions.

The current schema package approved for production is: HIIndividual2013V1.0.

To participate in the Hawaii State MeF program, software developers must adhere to the guidance in this handbook. All IRS requirements must also be met to participate in the Hawaii State MeF program. However, this handbook does not represent the requirements and procedures issued by the IRS. For more information and technical guidance refer to the IRS MeF User Guides and Publications at http://www.irs.gov.

For more details regarding the preparation of Hawaii individual income tax returns, including forms, schedules, and instructions refer to DOTAX's Electronic Services website at http://www6.hawaii.gov/tax/b03_vendor/revised.htm.

SECTION 2: CHANGES FOR TAX YEAR 2013

1. Adopts the federal provision that extends (1) the $250 deduction for educator expenses through 2013, (2) the election to deduct state and local general sales taxes instead of state and local income taxes through 2013, (3) the deduction for mortgage insurance premiums through 2013, (4) the tax-free distributions from individual retirement plans for charitable purposes through 2013, and (5) the exclusion from gross income of discharge from qualified principal residence indebtedness through 2013. (Act 43, SLH 2013)

2. For taxable years beginning after December 31, 2012, exempts charitable contributions from the itemized deduction caps that were placed on taxpayers with federal adjusted gross income above a certain amount. (Act 256, SLH 2013)

3. Adopts the federal provision that increases the threshold for the itemized deduction for medical expenses to 10 percent of adjusted gross income for taxable years beginning after December 31, 2012. However, for 2013 to 2016, if either the taxpayer or the taxpayer's spouse turns 65 before the end of the tax year, the threshold will remain at 7.5 percent of adjusted gross income. (Act 91, SLH 2011)

4. For taxable years beginning after December 31, 2012, increases the standard deduction amount to $2,200 for single or married filing separately filers; $3,212 for head of household filers; and $4,400 for married filing jointly or qualifying widow(er) filers. (Act 60, SLH 2009, Act 97, SLH 2011)

5. For taxable years beginning after December 31, 2012, increases the personal exemption amount to $1,144. (Act 60, SLH 2009, Act 97, SLH 2011)

6. Increases the amount of the military reserve or Hawaii National Guard duty pay exclusion to $6,076 for taxable years beginning after December 31, 2012. (Act 197, SLH 2004)

7. The Department of Taxation has issued temporary administrative rules that focus on the calculation of the renewable energy technologies income tax credit for "other solar energy systems", including photovoltaic systems, installed and placed in service on or after January 1, 2013. "Total output capacity" is now the key factor in what determines a system on which a credit can be claimed.

SECTION 3: CONTACT INFORMATION

1. The contact information provided below is strictly for software developers and transmitters' testing inquiries.

   <u>Testing Inquiries:</u>

Contact:	Electronic Processing Testing Group
E-mail address:	tax.efile.test@hawaii.gov
Phone number:	(808) 587-9197

2. Transmitters experiencing problems with State acknowledgements and other related production inquiries should contact the Electronic Processing Section.

   <u>Production Inquiries:</u>

Contact:	Electronic Processing Section
E-mail address:	tax.efile@hawaii.gov
Phone number:	(808) 587-1740
Mailing Address:	State of Hawaii Department of Taxation
	P.O. Box 259
	Honolulu, HI 96809-0259
	Attn: Electronic Filing Processing Section

Our office hours are Monday through Friday, 7:45 a.m. to 4:30 p.m. Hawaii Standard Time.
Our office will be closed on weekends and on all National and State of Hawaii holidays.

Holidays	2013	2014
New Year's Day	Jan. 1, Tuesday	Jan. 1, Wednesday
Dr. Martin Luther King, Jr. Day	Jan. 21, Monday	Jan. 20, Monday
Presidents' Day	Feb. 18, Monday	Feb. 17, Monday
Prince Jonah Kuhio Kalanianaole Day	Mar. 26, Tuesday	Mar. 26, Wednesday
Good Friday	Mar. 29, Friday	April 18, Friday
Memorial Day	May 27, Monday	May 26, Monday
King Kamehameha Day	June 11, Tuesday	June 11, Wednesday
Independence Day	July 4, Thursday	July 4, Friday
Statehood Day	Aug. 16, Friday	Aug. 15, Friday
Labor Day	Sept. 2, Monday	Sept. 1, Monday
General Election	n/a	Nov. 4, Tuesday
Veterans' Day	Nov. 11, Monday	Nov. 11, Tuesday
Thanksgiving	Nov. 28, Thursday	Nov. 27, Thursday
Christmas	Dec. 25, Wednesday	Dec. 25, Thursday

SECTION 4: ACCEPTANCE AND PARTICIPATION

In order to participate in DOTAX's MeF program each year software developers and transmitters must provide the information requested below. Otherwise, any submitted test returns will be automatically rejected. In addition, software developers must pass Assurance Testing System (ATS) and receive approval by DOTAX. Live returns submitted before ATS is completed will be rejected.

Software developers and transmitters: E-mail the following information to tax.efile.test@hawaii.gov, please include your test ETIN in the subject of the e-mail.   A separate e-mail should be sent for each product/test ETIN. Do not transmit any test returns until you receive a confirmation e-mail from DOTAX that testing can begin, otherwise they will be rejected.

1. Software developer company name and address
2. Software developer product name
3. Primary/Secondary contact name
4. Primary/Secondary telephone number
5. Primary/Secondary e-mail address
6. Test ETIN
7. Software Identification Number
8. Limitations of your product for Hawaii returns
    a. DOTAX does not require developers to support all forms and schedules. It is important to inform DOTAX of these limitations before your first test transmission.
        (e.g. We do not support Form N-15, Binary attachments, Annualized N-210, etc…)
9. Tax year being tested *(Supported tax years are 2013 and 2012)*
10. Approximate date you will transmit

Direct transmitters: If direct transmitting using an approved third party software product, please e-mail the following information to tax.efile@hawaii.gov, please include "Direct Transmitter Info" in the subject of the e-mail. Please do not transmit any returns until you receive a confirmation e-mail from DOTAX that your set-up is completed, otherwise they will be rejected.

1. Direct transmitters company name and address
2. Direct transmitters contact name
3. Direct transmitters phone number
4. Approved software product name
5. Approved software identification number
6. Approved software provider's production ETIN

SECTION 5: RESPONSIBILITIES

Developers, Transmitters, and Electronic Return Originators (ERO) must abide by the terms in this handbook and maintain a high degree of integrity, compliance, and accuracy to remain in the Modernized e-File (MeF) Filing Program.

5.1. INTEGRITY

Responsible for verifying that the DOTAX return has been properly prepared, validated by the IRS, and received by the DOTAX. Must ensure both the IRS and DOTAX acknowledgements are received.

5.2. COMPLIANCE

All requirements and specifications in the IRS Modernized e-File (MeF) User Guides, Publications, and this Handbook must be met.

Unauthorized access, possession or disclosure of confidential taxpayer information can result in severe Federal and Hawaii criminal and civil penalties in accordance with HRS §§231, 235, 237, 237D, 487N and 708-839.55.

5.3. ACCURACY

Must verify the accuracy of the taxpayer's name, address, and social security number. Also provide a complete and accurate copy of the return to the taxpayer according to the guidelines set by the IRS.

5.4. TIMELINESS OF FILING

Must ensure electronic returns are filed in a timely manner. The date of transmission will be the filing date for accepted DOTAX returns.

- April 20th - Last day to file individual returns timely (11:59 p.m. Hawaii Standard Time). If the due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day.

- October 20th - Last day to file extended individual returns (11:59 p.m. Hawaii Standard Time).

5.5. SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

The Hawaii Test Packages for MeF, Publication EF-6 (PUB EF-6) consists of eighteen (18) test scenarios.

N-11 Test Package
- Five test scenarios are required for software that supports Form N-11.
  - Four additional test scenarios are required for software that supports the targeted forms.

N-15 Test Package
- Five test scenarios are required for software that supports Form N-15.
  - Four additional test scenarios are required for software that supports the targeted forms.

Testing scenario information is provided in (PUB EF-6) that is available on the DOTAX's Electronic Services website at http://www6.hawaii.gov/tax/b01_e-srvcs/b1_sdinfo.htm.

5.5.1. TESTING PERIOD
- 2013 ATS Testing begins on – November 4, 2013

5.5.2. PROCEDURES FOR TESTING
The Electronic Processing Testing Group will notify software developers by e-mail when their testing can begin.

To request for ATS test verification e-mail the following information to tax.efile.test@hawaii.gov (include your test ETIN in the subject):

a. Date of submission
b. Number of submissions
c. Submission ID(s) *(send submission ID list in plain text format)*

NOTE: Transmissions with a rejected status cannot be verified for ATS testing. Ensure that your transmissions have an accepted submission status before sending the e-mail.

Pass/Fail testing
1. DOTAX will verify test scenarios in a timely manner:
   - October through January usually within 48 hours of receipt.
   - All other months usually within 96 hours of receipt.

2. An "Accepted" acknowledgement means that your submission has been validated against DOTAX's schemas and business rules, and accepted for processing. However, the submission must still be checked against the test scenarios. An e-mail from tax.efile.test@hawaii.gov will be sent indicating the status of the test results.

   - PASS – The test scenario(s) was received and passed the testing process. No further action is required for that test scenario.

   - FAIL – The test scenario(s) was received but failed the testing process. Please make the necessary corrections and resubmit the failed test scenario(s) only.

3. When testing has successfully been completed, DOTAX will inform you by e-mail and request the following:

   a. The production ETIN(s) associated with the software product.

b. If the company would like to have public contact information published on the DOTAX's approved software list. Please provide the following:

   i. Company Name
   ii. Product Name
   iii. Contact Information
   iv. Web Site

4. DOTAX reserves the right to require the software developers to re-test their products at DOTAX's discretion.

5. After production begins, software developers must be available to correct any software errors that may arise, and work with DOTAX to follow up on any processing issues. Any new release of software must be done in a timely manner, with proper notification to all customers.

5.5.3. INDEPENDENT TESTING

After passing ATS testing with DOTAX, software developers may conduct independent testing using their own data. Please use the same taxpayer entity information (names and social security numbers) provided in the test scenarios. The independent test submissions are not verified by the Electronic Processing Testing Group. Any inquiries regarding independent test results should be sent via email. Please include your test ETIN in the subject of the email.

SECTION 6: ACKNOWLEDGEMENT SYSTEM

1. All data transmitted through the MeF system must be in accordance with the DOTAX Schemas and Business Rules documents, which are available on the DOTAX's Electronic Services website at http://www6.hawaii.gov/tax/b01_e-srvcs/b1_sdinfo.htm.

2. Upon receiving the submission, DOTAX will generate a receipt to the IRS. After processing the submission, DOTAX will send an acknowledgement of acceptance or rejection within 1 – 2 business days.

3. For linked submissions DOTAX will generate a separate acknowledgment from the IRS acknowledgment. Receiving an IRS acknowledgment does not mean that DOTAX acknowledges receipt of the state income tax return.

4. Allow at least 2-3 business days from received date before contacting the Electronic Processing Section for inquiries regarding the status of the submission. Please provide the following information:
   a. Primary Name
   b. Primary SSN
   c. Transmission Date
   d. Submission ID

TEST SCENARIO UPDATES

Document Version Number	Scenario Number	Update
.v1	Cover page	DOTAX's Electronic Services website address is updated
.v1	Scenario 2	Form N-11; note is added
.v1	Scenario 6	Test case is added
.v1	Scenario 10	Worksheet NR is updated
.v1	Scenario 11	Test case is updated
.v1	Scenario 12	Form N-15, other Income is updated
.v1	Scenario 14	1099-INT is updated
.v1	Scenario 15	Test case is added
.v1	Scenario 17	Form N-15 is updated

SECTION 7: GENERAL INFORMATION

DOTAX supports electronic filing for the following forms, schedules, worksheets and attachments:

7.1 MeF SUPPORTED DOCUMENTS

7.1.1. FORMS

XML Doc. Name	Description	
FormN11	Form N-11:	Individual Income Tax Return (Resident Filing Federal Return)
FormN15	Form N-15:	Individual Income Tax Return (Nonresident and Part-Year Resident)
FormN158	Form N-158:	Investment Interest Expense Deduction
FormN210	Form N-210:	Underpayment of Estimated Tax by Individuals, Estates, and Trusts
FormN312	Form N-312:	Capital Goods Excise Tax Credit
FormN342	Form N-342:	Renewable Energy Technologies Income Tax Credit For Systems Installed and Placed in Service on or After July 1, 2009
FormN342A	Form N-342A:	Information Statement Concerning Renewable Energy Technologies Income Tax Credit For Systems Installed and Placed in Service on or After July 1, 2009
FormN615	Form N-615:	Computation of Tax for Children Under Age 14 Who Have Investment Income of More than $1,000

7.1.2. SCHEDULES

XML Doc. Name	Description	
SchCR	Schedule CR:	Schedule of Tax Credits
SchK1FormN20	Schedule K-1 (N-20):	Partner's Share of Income, Credits, Deductions, Etc.
SchK1FormN35	Schedule K-1 (N-35):	Shareholder's Share of Income, Credits, Deductions, Etc.
SchX	Schedule X:	Tax Credits for Hawaii Residents

7.1.3. WORKSHEETS

XML Doc. Name	Description	
WksA1	Worksheet A-1:	Medical and Dental Expenses
WksA2	Worksheet A-2:	Taxes You Paid
WksA3	Worksheet A-3:	Interest You Paid
WksA4	Worksheet A-4:	Gifts to Charity
WksA6	Worksheet A-6:	Miscellaneous Deductions
WksNR1	Worksheet NR-1:	Medical and Dental Expenses
WksNR2	Worksheet NR-2:	Taxes You Paid
WksNR3	Worksheet NR-3:	Interest You Paid
WksNR4	Worksheet NR-4:	Gifts to Charity
WksNR6	Worksheet NR-6:	Miscellaneous Deductions
WksPY1	Worksheet PY-1:	Medical and Dental Expenses
WksPY2	Worksheet PY-2:	Taxes You Paid

WksPY3	Worksheet PY-3:	Interest You Paid
WksPY4	Worksheet PY-4:	Gifts to Charity
WksPY6	Worksheet PY-6:	Miscellaneous Deductions

7.1.4. BINARY ATTACHMENTS

File Name begins with	Description
ArboristAffidavit	Exceptional Tree Deduction
RestraintInvoice	Child Restraint System
DoneeAcknowledgment	Written Donee Acknowledgement

7.1.5. IRS FORMS

XML Doc. Name		Description
IRS1099R	1099-R:	Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
IRSW2	W-2:	Wage and Tax Statement
IRSW2G	W-2G:	Certain Gambling Winnings
State1099G	1099-G:	Certain Government Payments
State1099Int	1099-INT:	Interest Income
State1099Misc	1099-MISC:	Miscellaneous Income
State1099DIV	1099-DIV:	Dividends and Distributions
State1099OID	1099-OID:	Original Issue Discount

7.2. SIGNATURE REQUIREMENTS

In accordance with Hawaii Revised Statutes (HRS), the act of electronic filing constitutes a taxpayer's signature to the return, without the need for a PIN or other documentation.

> HRS §231-8.5:
>> "The department may allow filing by electronic, telephonic, or optical means of any tax return, application, report, or other document required under the provisions of title 14 administered by the department.
>> The date of filing shall be the date the tax return, application, report, or other document is transmitted to the department in a form and manner prescribed by departmental rules adopted pursuant to chapter 91. The department may determine alternative methods for the signing, subscribing, or verifying of a tax return, application, report, or other document that shall have the same validity and consequences as the actual signing by the taxpayer. A filing under this section shall be treated in the same manner as a filing subject to the penalties under section 231-39."

Each taxpayer must be informed that the act of electronically filing a tax return constitutes his/her signature. Print the following taxpayer declaration as part of the taxpayer's copy of the return:

"I understand and accept, pursuant to section 231-8.5, HRS, that filing this return electronically constitutes my signature to the return having the same validity and consequences as the actual signing of the return."

7.3. PAYMENT METHODS

DOTAX supports Automated Clearing House (ACH) debit payments and direct deposit refunds. Currently, International Automated Clearing House Transactions (IAT) are not supported for payments and refunds. A payment can be submitted from a single bank or other financial institution account. A refund can be directly deposited into a single bank or other financial institution account.

DOTAX does not support post dated payments.

If a bank rejects a direct deposit for incorrect account/routing number or for their own policy regulations, DOTAX will issue a paper check and send it to the address of record.

7.4. DATA REQUIREMENTS

All required data elements must contain a value (even if it is zero).
Optional data elements that have no value (blank) must not be present in the submission. Optional data elements may have zero values if specified in the instructions.

7.5. TYPES OF FILINGS ACCEPTED

DOTAX accepts Linked (Federal/State) and Unlinked (State Only) submissions.

7.6. DECIMAL PLACES FOR RATIOS

Requirements are provided in the XML schema documents.

7.7. HANDLING OF ATTACHMENTS

Binary attachments are only used in specific situations when XML documents are not applicable. The binary attachments we are currently accepting are listed in Section 7.1.4.

7.8. EDITS AND VERIFICATIONS

Error Categories:
- Data Validation Error
- Data Validation Required
- Field Validation
- Incorrect Data
- Math Error
- Missing Data
- Missing Document
- Missing or Incorrect Data
- Not Supported Data
- XML Error

Severity:
- Alert
- Reject
- Reject and Stop

7.9. GENERAL EXCLUSIONS FROM ELECTRONIC FILING

1. Returns prior to tax year 2012
2. Returns other than N-11 and N-15
3. Amended returns
4. Returns with Net Operating Loss (NOL) Carryback indicated
5. Returns for Fiscal Year filers
6. Returns that require attachment of forms or schedules that are not supported by the State of Hawaii MeF program
7. Returns for Decedents
8. Returns with "Applied For" primary and/or secondary taxpayer identification number
9. Composite forms, schedules or worksheets
10. Returns that require the taxpayer to enter information that does not have a designated field. (e.g. write XXX at the top of the return, enter XXX on the dotted line, etc.)
11. Post dated payments

SECTION 8: SCHEMAS AND TRANSMISSION SPECIFICATIONS

The approved XML schema package is available on the DOTAX's Electronic Services website at http://www6.hawaii.gov/tax/b01_e-srvcs/b1_sdinfo.htm. New releases will be available in October of each year.

HANDBOOK UPDATES

Document Version Number	Updates
.v1	DOTAX's Electronic Services website address is updated